

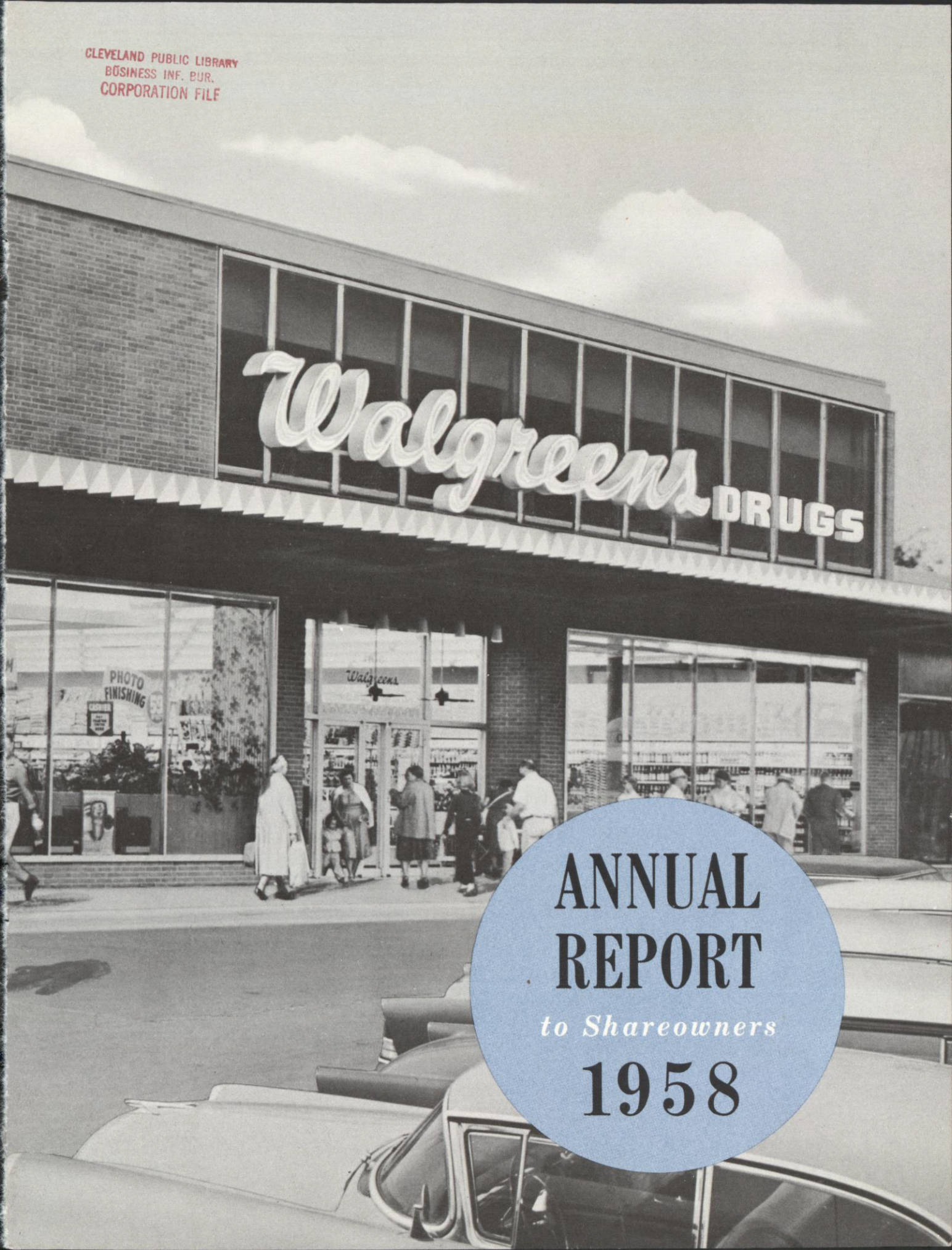
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CORPORATION FILE

# Walgreens DRUGS

## ANNUAL REPORT

*to Shareowners*

# 1958



*Walgreen Co.*



## DIRECTORS

A. A. BORG	EDWARD P. LESLIE
SANFORD J. BOWYER	BERT O. PINCH
C. R. CAMPBELL	R. G. SCHMITT
ROBERT G. KNIGHT	A. L. STARSHAK
C. R. WALGREEN, JR.	

## OFFICERS

C. R. WALGREEN, JR. . . . . *President*  
H. W. BECKER . . . . . *General Auditor*  
A. A. BORG . . . . . *Vice President*  
SANFORD J. BOWYER . . . . . *Vice President*  
C. R. CAMPBELL . . . . . *Vice President*  
O. G. GILE . . . . . *Assistant Secretary*  
ROBERT G. KNIGHT . . . . . *Vice President and Treasurer*  
C. E. LA FRAMENTA . . . . . *Vice President*  
EDWARD P. LESLIE . . . . . *Vice President*  
W. W. LOW . . . . . *Assistant Treasurer*  
W. H. REESE . . . . . *Assistant Secretary*  
R. G. SCHMITT . . . . . *Vice President and Secretary*  
A. L. STARSHAK . . . . . *Vice President*  
N. P. STARSHAK . . . . . *Comptroller*

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*Public Accountants and Auditors* . . . . . ARTHUR ANDERSEN & Co.

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*Transfer Agents* . . . . . THE FIRST NATIONAL BANK OF CHICAGO  
GUARANTY TRUST COMPANY OF NEW YORK

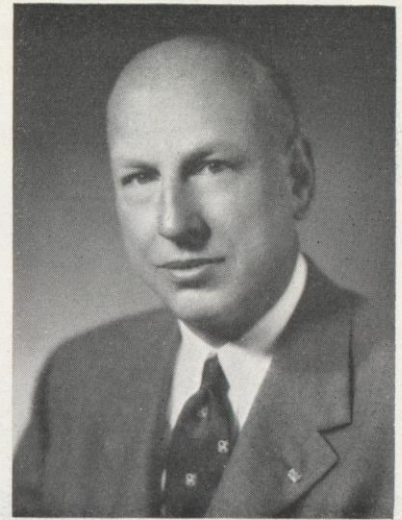
*Registrars* . . . . . HARRIS TRUST AND SAVINGS BANK OF CHICAGO  
THE FIRST NATIONAL CITY BANK OF NEW YORK

in 1958 . . .

**EACH SHARE**

(of 1,292,485 outstanding)

• had <b>SALES</b> of .....	\$201.08
• made a <b>PROFIT BEFORE TAXES</b> of .....	8.02
• paid <b>INCOME TAXES</b> of .....	3.91
• and earned a <b>NET PROFIT</b> of.....	4.11
• paid its owner in <b>CASH DIVIDENDS</b> .....	1.90
• re-invested to <b>EXPAND</b> and <b>IMPROVE</b> the business	2.21
• bringing its <b>BOOK VALUE</b> at September 30 to.....	29.12



## The President's Annual Message

**B**OTH sales and earnings made new records in our fiscal year which ended September 30. The former rose by 10.5% while earnings, at \$4.11 a share, were 23.4% higher than last year's \$3.33. A relatively small number of openings, with a consequent lowering of the substantial costs of launching new stores, helped to push earnings upwards at a rate greater than that shown by sales. In the current 1959 fiscal year the number of new stores to be opened will be considerably greater and it is unlikely that earnings will rise at a rate greater than that shown by sales.

The subject of dividends is naturally associated with that of earnings, in the minds of many shareholders, and I think it may be desirable to indicate to you what our plans are at this time, even though well in advance of their being acted upon.

While our earnings are at an improved rate and showing a good trend, our plans call for sizable expenditures over the next few years in order to take advantage of what we believe are excellent opportunities. To do this we feel that the reinvestment of a major proportion of our earnings is necessary and that this precludes any significant increase in cash dividends.

Our Board of Directors has, therefore, concluded that it will be in the best interests of our Company to leave the regular quarterly cash dividend at 40¢ a share unchanged, and to supplement it, toward the end of our fiscal year, not by a cash extra but by a stock dividend sufficient to make the total of the two represent a fair proportion of the year's earnings. It is, therefore, our intention to initiate this new policy by declaring a stock dividend later in this fiscal year, probably in August. The rate presently envisioned is 3%, with all fractional shares to be paid in cash at a value set by the market price of the stock at the time.

During the fiscal year just closed we opened 17 stores. We closed 18 stores — some because we replaced them by larger and better units in the same area, others because their continued operations were no longer attractive. We ended the year with 406 stores of which 151 were self service.

We have made substantial progress in training management to meet the changing conditions and successfully apply new operating methods which we have developed. I wish to thank and commend all of the folks throughout all phases of our operations for their accomplishments.

Sincerely,

A handwritten signature in dark ink, appearing to read "A. Walgreen, Jr." with a stylized flourish at the end.

*President*

Chicago, November 21, 1958

# Walgreen Co. and Subsidiary Companies

COMPARATIVE

ASSETS		September 30,	
	<u>1958</u>	<u>1957</u>	
CURRENT ASSETS:			
Cash .....	\$ 5,270,446	\$ 4,990,369	
Accounts receivable, less reserves .....	3,393,874	2,956,667	
Inventories of merchandise, priced at the lower of cost or market, less reserves .....	31,231,626	28,364,078	
TOTAL CURRENT ASSETS .....	<u>39,895,946</u>	<u>36,311,114</u>	
PREPAID RENT, INSURANCE, TAXES, ETC. ....	<u>1,029,474</u>	1,003,967	
INVESTMENTS IN AFFILIATED AND OTHER COMPANIES, at cost.....	<u>1,669,857</u>	1,670,856	
FIXED ASSETS, at cost:			
Land .....	68,000	68,000	
Buildings (on owned and leased land) .....	1,554,101	1,554,101	
Equipment .....	26,215,585	24,562,765	
	<u>27,837,686</u>	26,184,866	
Less—Reserves for depreciation .....	11,899,280	10,781,133	
TOTAL FIXED ASSETS .....	<u>15,938,406</u>	<u>15,403,733</u>	
GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount .....	1	1	
	<u>\$58,533,684</u>	<u>\$54,389,671</u>	

NOTE:

The shareholders have approved a stock option plan whereunder 60,000 authorized but unissued shares of common stock have been reserved for key employees, including officers. Such options would be exercisable beginning one year from the date of grant, over a period not exceeding five years (and in reduced amounts over

BALANCE SHEET

LIABILITIES

September 30,

	1958	1957
CURRENT LIABILITIES:		
Trade accounts payable .....	\$ 8,284,268	\$ 7,659,313
Accrued expenses and other liabilities.....	7,456,927	6,288,235
Federal and State income taxes.....	3,707,876	3,215,050
Notes payable .....	500,000	1,000,000
TOTAL CURRENT LIABILITIES .....	19,949,071	18,162,598

2½% NOTE, due August 15, 1960 (current maturity included above) ..	950,000	1,450,000
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CAPITAL STOCK AND SURPLUS:

Common stock, \$10 par value—		
Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares .....	12,924,850	12,924,850
Earned surplus, per accompanying statement.....	24,709,763	21,852,223
TOTAL CAPITAL STOCK AND SURPLUS.....	37,634,613	34,777,073
	\$58,533,684	\$54,389,671

the succeeding four years) at a price not less than 95% of the average closing price of the common stock on the New York Stock Exchange for the five days preceding such date. At September 30, 1958, 96 employees, including officers, held options granted December 11, 1957, to purchase 53,300 shares at \$27.00 per share.

# Walgreen Co. and Subsidiary Companies

## COMPARATIVE STATEMENT OF INCOME

For the Years Ended September 30, 1958 and 1957

	<u>1958</u>	<u>1957</u>
SALES AND OTHER INCOME:		
Net sales and other store income.....	\$259,898,209	\$235,111,325
Other income (net) .....	296,045	227,335
	<u>260,194,254</u>	<u>235,338,660</u>
COSTS AND DEDUCTIONS:		
Cost of sales and of selling, occupancy and administration, except depreciation .....	245,896,680	223,225,625
Depreciation of buildings and equipment.....	1,928,932	1,780,384
Provision for contribution to employees' retirement pension trust..	1,765,000	1,376,000
Improvements to leased properties.....	230,380	391,898
	<u>249,820,992</u>	<u>226,773,907</u>
INCOME BEFORE FEDERAL AND STATE INCOME TAXES.....	10,373,262	8,564,753
Provision for Federal and State income taxes.....	5,060,000	4,260,000
NET INCOME .....	<u>\$ 5,313,262</u>	<u>\$ 4,304,753</u>

## COMPARATIVE STATEMENT OF EARNED SURPLUS

For the Years Ended September 30, 1958 and 1957

BALANCE BEGINNING OF YEAR .....	\$ 21,852,223	\$ 19,938,567
NET INCOME .....	5,313,262	4,304,753
	<u>27,165,485</u>	<u>24,243,320</u>
DEDUCT—Dividends paid \$1.90 per share in 1958 and \$1.85 per share in 1957 .....	2,455,722	2,391,097
BALANCE END OF YEAR .....	<u>\$ 24,709,763</u>	<u>\$ 21,852,223</u>



ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET  
CHICAGO 3

*To the Board of Directors,*

WALGREEN Co.:

We have examined the consolidated balance sheet of WALGREEN Co. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1958, and the related statements of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and earned surplus present fairly the financial position of Walgreen Co. and Subsidiary Companies as of September 30, 1958, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & Co.

Chicago, Illinois,

November 13, 1958.

# Target:

**PROFITABLE**

**PROG**





**17  
NEW STORES  
OPENED  
in 1958**

**Some of  
the Stores  
IMPROVED  
in 1958**

- Appleton, Wis., 210 W. College Ave.*
- Arlington Heights, Ill., Arlington Market*
- Atlanta, Ga., Broadview Plaza*
- Beaumont, Tex., Gateway Shopping City*
- Chicago, Ill., 4173 S. Archer Ave.*
- Chicago, Ill., 3223 Broadway*
- Chicago, Ill., 5228 N. Clark St.*
- Chicago, Ill., 95th & Jeffery*
- Chicago, Ill., 1130 N. State St.*
- Decatur, Ill., Fairview Plaza*
- Hayward, Cal., 481 Foothill Blvd.*
- Joliet, Ill., 159 N. Chicago St.*
- Minneapolis, Minn., Hi-Lake Shopping Center*
- Morton Grove, Ill., Golfview Plaza*
- San Mateo, Cal., Hillsdale Shopping Center*
- Skokie, Ill., Old Orchard (Prescription Pharmacy)*
- Tallahassee, Fla., Parkway Shopping Center*

- Chicago, Ill., Scottsdale Shopping Center*
- Des Moines, Ia., 324 W. 7th St.*
- Levittown, N.Y., Center Island Shopping Park*
- Milwaukee, Wis., 1600 W. Wisconsin Ave.*
- Skokie, Ill., Old Orchard Business District*
- Springfield, Mass., 1200 Main St.*

PROFITABLE



PROGRE

Prescriptions

SURGICALS

INSULIN

ANTI-BIOTICS



## Pharmacy Leadership



Our 75 millionth prescription, reached this year, dramatizes our continuing progress in the pharmacy field, the "most important single thing in our business". Prescription volume, increasing to successive new highs, has more than paralleled our overall progress. Significantly, these years of fast-climbing volume have also been our years of major transition to self-service stores, reflecting the growing success of their Prescription Departments. Today, as always, the proud motto of every Walgreen Drug Store is — "Dependable Prescription Service".

SS

## With Professional Pride . . .

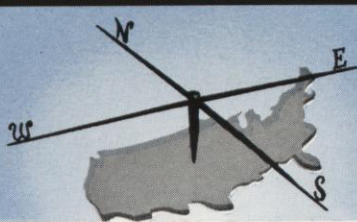
### WE POINT TO OUR NEW PRESCRIPTION PHARMACIES

Pictured on this page are two of our six modern Prescription Pharmacies. Two are located in Phoenix, Arizona, four in the Chicago area.

These highly specialized shops concentrate on prescription service and related health and clinical needs.

This new expansion marks another step in the constant pharmacy progress that underscores our treasured reputation for leadership — “Walgreens, *first in Pharmacy, nation-wide*”.





# Store Directory

## ALABAMA (1)

Mobile

## ARIZONA (5)

Phoenix (4)  
Tucson

## ARKANSAS (3)

Fort Smith  
Hot Springs  
Little Rock

## CALIFORNIA (11)

Hayward  
Oakland  
Palo Alto  
Redwood City  
Sacramento (2)  
San Francisco (3)  
San Mateo  
Santa Monica

## COLORADO (12)

Boulder  
Colorado Springs  
Denver (6)  
Englewood  
Fort Collins  
Lakewood  
Pueblo

## CONNECTICUT (2)

Bridgeport  
Hartford

## FLORIDA (17)

Daytona Beach  
Hialeah  
Jacksonville (2)  
Lakeland  
Miami (4)  
N. Miami Beach  
Orlando  
Panama City  
Pensacola  
St. Petersburg  
Tallahassee  
Tampa  
West Palm Beach

## GEORGIA (6)

Atlanta (3)  
Augusta  
Columbus  
Savannah

## ILLINOIS (135)

Arlington Heights  
Aurora  
Berwyn (2)  
Bloomington  
Blue Island  
Centralia  
Champaign  
CHICAGO (81)  
Chicago Heights  
Cicero (2)  
Danville  
Decatur (2)  
Des Plaines  
Downers Grove  
East St. Louis  
Elgin  
Eimhurst  
Evanston  
Evergreen Park  
Galesburg  
Glen Ellyn  
Harvey  
Highland Park (2)  
Hinsdale  
Joliet  
Kankakee  
La Grange  
Lake Forest  
Moline  
Morton Grove  
Norrridge  
Oak Park (3)  
Park Ridge (2)  
Peoria (2)  
Quincy  
Rockford (2)  
Rock Island  
Skokie (3)  
Springfield  
Sterling  
Waukegan (2)  
Wheaton  
Winnetka

## INDIANA (14)

Anderson  
East Chicago  
Fort Wayne (3)  
Gary (2)  
Hammond (2)  
Lafayette  
Logansport  
Michigan City  
Muncie  
South Bend

## IOWA (5)

Clinton  
Council Bluffs  
Davenport (2)  
Des Moines

## KANSAS (2)

Topeka  
Wichita

## KENTUCKY (12)

Lexington  
Louisville (7)  
Newport  
Owensboro  
Paducah  
Pleasure Ridge Park

## LOUISIANA (16)

Alexandria  
Baton Rouge (2)  
Lake Charles  
Metairie  
Monroe  
New Orleans (9)  
Shreveport

## MASSACHUSETTS (2)

Springfield  
Worcester

## MICHIGAN (7)

Battle Creek  
Benton Harbor  
Flint  
Jackson  
Kalamazoo  
Lansing  
Muskegon

## MINNESOTA (14)

Duluth (2)  
Edina  
Minneapolis (7)  
Richfield  
St. Paul (2)  
St. Louis Park

## MISSISSIPPI (2)

Jackson  
Vicksburg

## MISSOURI (10)

Crestwood  
Jennings  
Richmond Heights  
St. Louis (7)

## NEBRASKA (3)

Lincoln  
Omaha (2)

## NEW JERSEY (1)

East Paterson

## NEW MEXICO (1)

Albuquerque

## NEW YORK (16)

Albany  
De Witt  
Hempstead  
Levittown, L.I.  
Massapequa Park  
New Hyde Park  
New York (6)  
Niagara Falls  
Syracuse  
Valley Stream  
Yonkers

## N. CAROLINA (5)

Durham  
Greensboro  
Raleigh  
Wilmington  
Winston-Salem

## OHIO (13)

Akron  
Cincinnati (3)  
Columbus (3)  
East Cleveland  
Lima  
Springfield  
Toledo (3)

## OKLAHOMA (3)

Tulsa (3)

## PENNSYLVANIA (1)

Altoona

## S. CAROLINA (3)

Charleston  
Columbia  
Greenville

## S. DAKOTA (2)

Aberdeen  
Sioux Falls

## TENNESSEE (16)

Knoxville  
Madison  
Memphis (10)

Nashville (2)  
North Memphis  
Oak Ridge

## TEXAS (32)

Abilene  
Amarillo  
Beaumont (2)  
Corpus Christi (2)  
Dallas (6)  
Galveston  
Houston (11)  
Lubbock  
Pasadena  
Port Arthur  
San Antonio (2)  
University Park  
Waco  
Wichita Falls

## UTAH (4)

Price  
Salt Lake City (3)

## VIRGINIA (1)

The Pentagon

## W. VIRGINIA (2)

Huntington  
Wheeling

## WISCONSIN (25)

Appleton  
Beloit  
Eau Claire  
Glendale  
Green Bay  
Kenosha  
Menasha  
Milwaukee (16)  
Racine  
West Allis

## WYOMING (2)

Casper  
Cheyenne



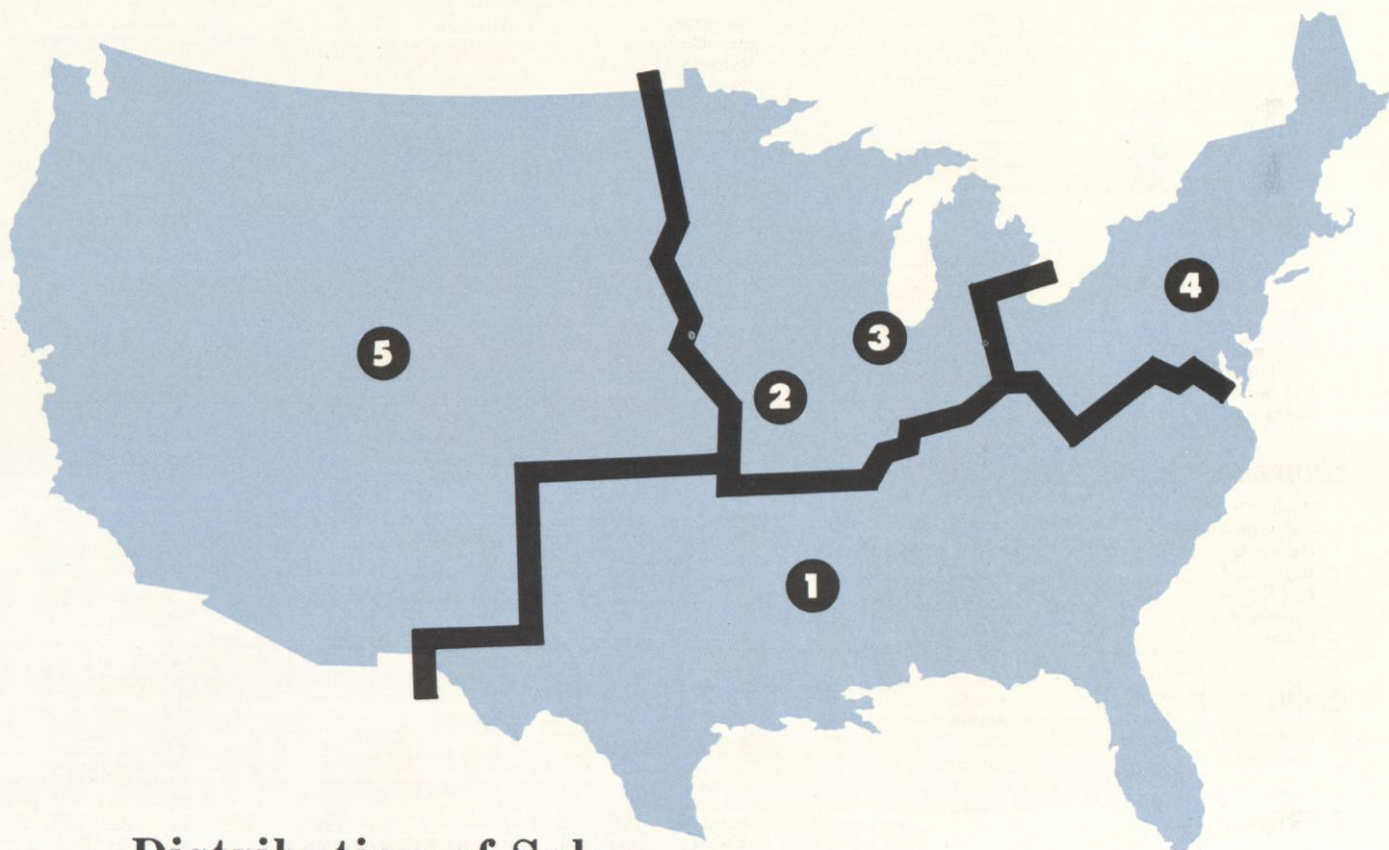
Sanborn's

## MEXICO

Mexico City (4)  
Monterrey

“Walgreens”

As a shareowner, you'll be interested in our distribution of sales. 406 Walgreen Drug Stores, at key locations, serve communities across the nation. In addition, over 1800 independently-owned Walgreen Agency Drug Stores carry our name and our products into many areas not directly served by our stores. And our affiliate in Mexico, the celebrated *Sanborns*, gives international scope to our operations.

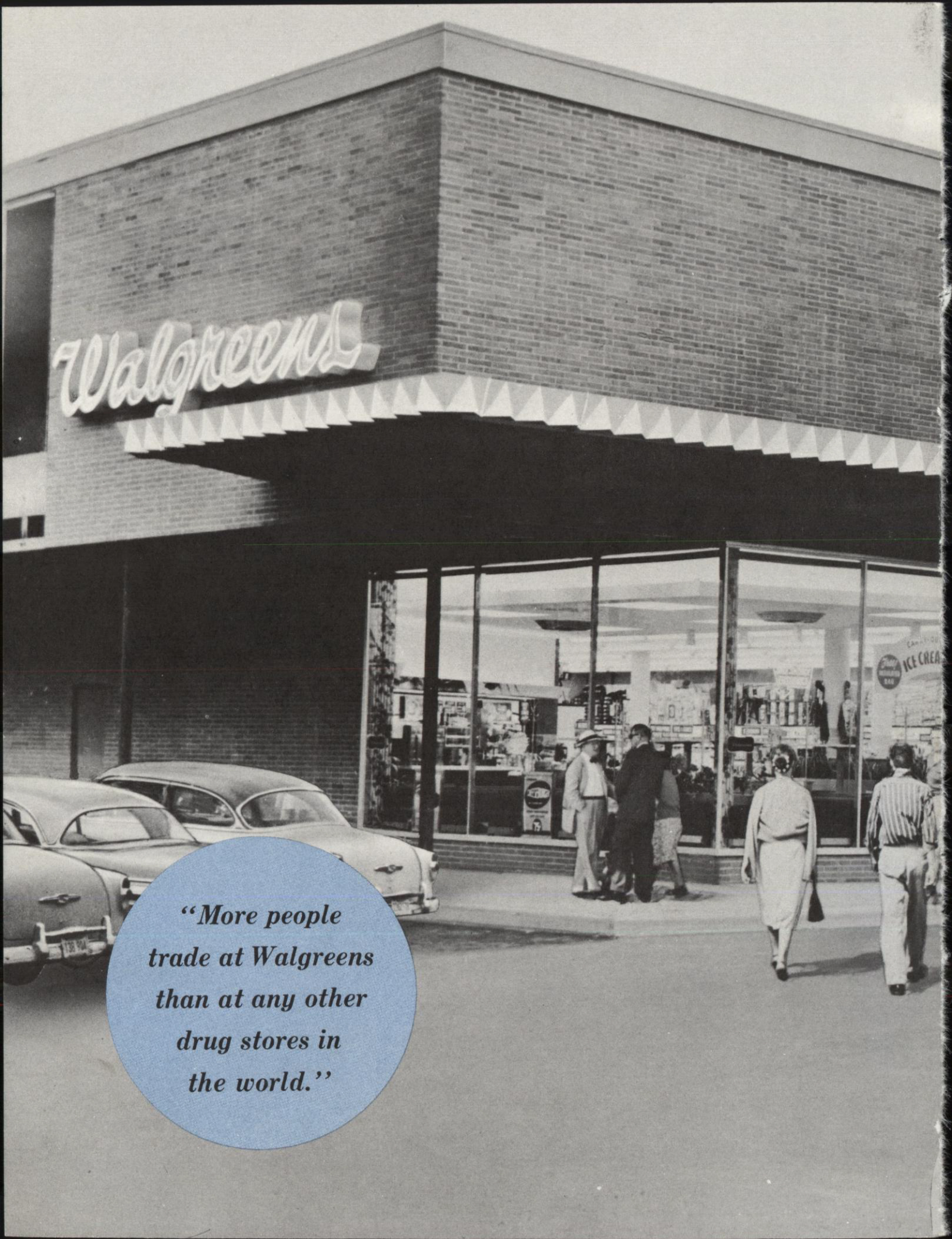


## Distribution of Sales

- 1** SOUTHERN  
\$78,055,669 : 30.0%
- 2** MIDWEST  
(Chicago excluded)  
\$76,557,107 : 29.5%
- 3** CHICAGO, ILL.  
\$53,569,279 : 20.6%
- 4** EASTERN  
\$26,984,029 : 10.4%
- 5** WESTERN  
\$24,732,125 : 9.5%



... the Nation's Name for Drug Stores''



Walgreens

*“More people  
trade at Walgreens  
than at any other  
drug stores in  
the world.”*